

TIMES-HERALD
Washington, D. C.
Monday, April 21, 1953

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Retirement

U. S. AND US

Comparative Study of SS and CS Retirement Reveals Important Differences

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(Ed. Note: We continue today a comprehensive analysis, released by the CSCommission's retirement division, of "Social Security Versus Civil Service Retirement.")

Turning now from old age to disability retirement, we find no comparison. Civil service provides annuities on disability after five years of civilian service; social security has no disability provision. While it is quite true that the civil service annuity based on short service is far from munificent, it is much better than nothing.

Furthermore, the great majority of disabilities occur at or beyond middle age, at a time when the career employee has sufficient service to provide a substantial annuity.

More than 25 per cent of present civil service annuitants were retired because of disability, practically all at ages below 65.

Under social security, an employee who loses his earning capacity because of disability can receive no benefits prior to age 65. He may then receive the old-age benefit, decreased because of the lower average wage resulting from his enforced period of unemployment; or he may receive nothing because the period of his disability prevented his meeting the coverage requirements for title to any benefits.

Disability protection is an important, clear-cut advantage of civil service retirement over social security.

We've now looked at what the employee can expect for himself from the two systems. But there remains for consideration the question — What happens after death? A precise answer is impossible, because a number of unpredictable conditions determine the type and amount of benefits under both civil service retirement and social security.

For the single person, the advantage of civil service are predominant. Upon death before retirement, all contributions plus interest are payable in a lump sum.

Upon death after retirement, any balance of contributions and interest in excess of annuities received is payable in the same manner. Or the single employee who retires in good health may elect a reduced annuity, thus providing an annuity of one-half the reduced amount payable after his death to a person having an insurable interest in the employee.

Under social security, the only

lump-sum payment upon the death of an insured person is a maximum reimbursement of \$240 for burial expenses. This is true regardless of the number of years taxes have been paid.

Under certain conditions, monthly benefits may be payable to aged dependent parents, but as a general rule the single person who dies before qualifying for old-age benefits will have paid more in taxes than will be paid back in all types of benefits. No such loss is possible under civil service retirement, and single federal employees are more than a negligible percentage.

However, married workers are in the majority, and it is in the area of family protection that social security has advantages under certain conditions.

Only six quarters of coverage for a \$3,600 married man may qualify his widow and two children for initial maximum monthly benefits of \$150, in addition to

a lump-sum death payment of \$240. The benefits are no larger for longer periods of coverage.

When the older child reaches age 18, monthly benefits decrease to \$120, and disappear completely when the younger child reaches that age if, as is likely, the widow is then under age 65.

However, she may be eligible for a monthly widow's benefit of as much as \$80 beginning at age 65, if she has not remarried.

Under civil service retirement, no survivor annuities are payable on the basis of less than five years of civilian service. Because of the relation to length of service and lower children's annuities, civil service family benefits do not compare favorably in amount with those under social security for a widow and minor children, except at long periods of service.

However, civil service has certain advantages.

The annuity to the widow does not stop when the youngest child reaches 18, as it does under social security, but continues until her remarriage or death. Civil service annuities to children continue beyond age 18, unlike social security, if the child is incapable of self-support because of mental or physical disability.

If a married man dies leaving no minor children, the picture is considerably different. Under social security, the maximum benefit to the widow is \$80, and it does not commence until age 65. Under civil service, the widow's annuity begins at age 50, and thus may be payable for 15 years longer than the social security benefit.

Service of 23½ years by a \$3,600 employee, or 16 years by a \$6,000

employee, will produce a civil service widow's annuity rate equal to that of social security. Longer service, of course, provides a larger amount.

The number of widows who have qualified for civil service annuities under the age-50 provision is well over twice the number who qualified because the deceased employee also left minor children.

This is quite natural; death before middle age is the exception rather than the rule. Thus while social security provides more for the young widow during the minority of her children, civil service retirement has advantages in the area where the majority of employee deaths occur.

Under both systems, the widow's benefit ceases on remarriage, or, if there are no children, is never paid if she remarries before reaching the age of 65 under social security or 50 under civil service. Under social security, the widow would receive only a lump-sum death payment which cannot exceed \$240, far less than taxes her former husband would have paid after years of coverage. Under civil service, the entire amount of salary deductions plus interest would be paid.

(To be continued tomorrow)